

MSHDA POLICIES & PROCEDURES

SINGLE FAMILY – College Grad Program – “CGP” REDUCED RATE CONVENTIONAL LOAN PROGRAM

Effective Date: 12-1-06

Replaces Issue of: 11-21-06

Product Name: CONV CGP

SUMMARY:

This is a reduced rate 30-year fixed rate conventional loan available to borrowers who meet the MSHDA sales price and income limit eligibility guidelines and have received a Doctoral, Master's, Bachelor's or Associate's degree from an accredited institution within the 3 years prior to the date of loan application. The property must be located within the city limits of one of the designated Cities of Promise. The Cities of Promise are listed under Eligible Property Locations. If the borrower has had ownership interest in a primary residence in the last three (3) years, they are not eligible for the program unless they are purchasing in a targeted area (where there are no prior home ownership restrictions). All adult members of the household must apply jointly for the loan. Non-occupant co-borrowers and co-signers are not permitted.

PRODUCTS:

This is a Pilot Loan Program and is available with any of the following loan types:

- MSHDA Conventional 95%
- MSHDA Conventional 97%
- MSHDA Conventional with DPA option/max. 97% LTV
- MSHDA Conventional 100%, minimum FICO of 620
- MSHDA Conventional 103%, minimum FICO of 680

NOTE: Step, Buy Down, Employer Assisted or ADR-DPA loan options are not available with the College Grad Program.

ELIGIBLE PROPERTY LOCATIONS:

The property being purchased MUST be located within the city limits of one of the following Cities of Promise, which are as follows:

- Benton Harbor
- Detroit
- Flint
- Hamtramck
- Highland Park
- Muskegon Heights
- Pontiac
- Saginaw

MAXIMUM FUNDING:

10 Million Dollars (Calendar Year)

LOAN PURPOSE:

To encourage home ownership in the Cities of Promise by a College Graduate who received a qualifying degree within the 3 years prior to the date of the loan application.

INCOME LIMITS:

Income limits apply and are available online at: www.michigan.gov/mshda

NOTE: For loans with Down Payment Assistance (DPA), reduced income limits apply. These limits are also available at the above Web site.

**SALES PRICE
LIMITS:**

Sales price limits apply and are available online at:
www.michigan.gov/mshda/

INTEREST RATE

The interest rate for the MSHDA 1st mortgage will be approximately 125 bps less than the posted MSHDA Single Family interest rate for Non-DPA loans and 125 bps less than the posted MSHDA Single Family interest rate for DPA loans. The interest rates for this Loan Program will be posted at:
www.michigan.gov/mshda/

**OCCUPANCY
REQUIREMENTS:**

The borrower must occupy the property as his/her primary residence within 60 days of loan closing.

**ELIGIBLE
PROPERTIES:**

- New single family homes or builders' models
- Existing single-family homes or condominiums that have been previously occupied.
- New condominiums approved by FNMA, FHLMC, or insurer (FHA, VA, RD).
- New condominiums approved by MSHDA (Spot or Full Application)
- New and existing manufactured homes are eligible ONLY if maximum LTV does not exceed 95%.
- Co-ops are **NOT** eligible

ASSUMABILITY:

The mortgage may be formally assumed; however, certain restrictions will apply with respect to income, credit and sales price limits.

LOAN TERM:

30-year term

**MINIMUM
LOAN AMOUNT:**

There is no minimum loan amount

**MAXIMUM
LOAN AMOUNT:**

The maximum mortgage amount for the applicable jurisdiction may not exceed the maximum loan as determined by the loan to value limit for the MSHDA loan program (95%, 97%, 100%, 103%).

**MAXIMUM
LOAN TO VALUE:**

Depends on loan product selected (95%, 97%, 100% or 103%). (Loan Cannot Include ANY Portion of a Financed Mortgage Insurance Premium)

**STEP RATE
OPTION:**

Not available with this loan program

**TEMPORARY
INTEREST RATE
BUYDOWN
OPTION:**

Not available with this loan program

**SUBORDINATE
FINANCING:**

In conjunction with a 97% MSHDA first mortgage, a MSHDA Single Family Down Payment Assistance (DPA) loan is available for households

whose income does not exceed 80% of the area median income, adjusted for family size, except where lower by state statute. The DPA is a 0%, non-amortizing, "soft" second mortgage loan to assist with the down payment, closing costs, and prepaid expenses. The second mortgage is due on refinance, sale or transfer of the property. The borrower is required to invest a minimum of 1% of the sales price. The maximum DPA available is \$7,500. A liquid cash asset limit applies, which is \$5,000. For Individual Development Account Participants, the matched funds are not used in calculating the liquid cash assets. **NOTE:** Cash back at closing is **not permitted**, except for POCs listed on the HUD-1 Settlement Statement, which are in excess of the borrower's required 1% cash investment.

Any other subordinate financing may be allowed on a case-by-case basis. The terms and conditions of the subordinate financing must have prior written approval of MSHDA.

**QUALIFYING
RATIOS:**

Maximum of 30%/39%, unless LP/DU accept/approved eligible. Findings must accompany the Loan Submission.

**THIRD PARTY
CONTRIBUTIONS:**

An interested party is anyone (other than the property purchaser) who has a financial interest in, or can influence the terms and the sale or transfer of, the subject property. This includes the property seller, the builder/developer (or an affiliate who may benefit from the sale of the property), and the real estate agent or broker. When the property purchaser receives financial assistance from a relative, domestic partner, fiancé, fiancée, municipality, nonprofit organization, or employer, MSHDA does not consider the provider of the assistance to be an interested party to the sales transaction unless the person or entity is the property seller (or is affiliated with the property seller).

1. The maximum allowable contributions from interested parties are limited to
 - 3% of the lesser of the property's sales price or appraised value for a mortgage secured by a principal residence, if the loan-to-value ratio (or, if applicable, the combined loan-to-value ratio) is greater than 90%;
 - 6% of the lesser of the property's sales price or appraised value for a mortgage secured by a principal residence, if the loan-to-value ratio (or, if applicable, the combined loan-to-value ratio) is in the range from 76% to 90%; or
 - 9% of the lesser of the property's sales price or appraised value for a mortgage secured by a principal residence or second home, if the loan-to-value ratio (or, if applicable, the combined loan-to-value ratio) is 75% or less.

These contributions are allowed for closing costs and certain prepaid settlement costs only. Certain prepaid settlement costs are defined as: interest charges covering any period after the settlement date, real estate taxes covering any period after the settlement date, hazard insurance premiums, and any escrow accruals required for renewal of borrower-purchased mortgage insurance coverage.

2. Any time a borrower is also receiving a MSHDA Single Family DPA, the borrower must still invest 1% of the lesser of the sales price or

appraised value **AND** the amount of DPA will be reduced by the amount of the third party contribution.

UNDERWRITING: Refer to underwriting criteria indicated in the product specs. for the loan program selected (95%, 97%, 100% or 103%)

RENT CREDIT: If the borrower had a lease with an option to purchase and exercises that right to purchase, the total amount of rent credit that can be given to the borrower is the amount paid over and above the Fair Market Rent for the particular area, as established by the appraisal. Lenders should be certain the appraiser reflects the Fair Market Rent in the appraisal if they are using a rent credit.

**WORK CREDIT/
SWEAT EQUITY:** Work credit/sweat equity will be restricted to work for which the borrower is reasonably qualified by experience and training. Documentation supporting the borrower's qualifications may be required under certain circumstances. MSHDA will require personally accumulated cash from the borrower of at least 2½% of the sales price where work credit/sweat equity is being used. Work credit/sweat equity may consist of labor items only. A written work credit/sweat equity agreement, signed and dated by the seller and the borrower, is required. The agreement will identify the labor and the amount of credit for each labor item. Allowances for materials must be identified separately. Credit for materials is only permissible if supported by paid invoices identifying the subject property.

**NON-ARMS
LENGTH
TRANSACTIONS:** In order to be eligible for MSHDA financing, the Appraised Value (excluding closing costs) for all NON-ARM'S LENGTH transactions cannot exceed 115% of the sales price.

**HOMEBUYER
EDUCATION:** Borrowers are required to receive homebuyer education counseling for any loan which has a LTV of 97% or greater. The homeownership counselor must be a MSHDA LINKS to Homeownership Certified Counselor. A list of certified counselors is available at: www.michigan.gov/mshda/

**MORTGAGE
INSURANCE:**

1. Acceptable Insurers: Private mortgage insurance is acceptable only from companies authorized to issue mortgage insurance, licensed to do business in Michigan, rated "AA" or greater by Standard and Poor or an equivalent rating by another nationally recognized rating agency, and approved by MSHDA.
2. Required Coverage: The amount, terms, and extent of insurance coverage must be in accordance with the particular bond issue as directed by MSHDA.

Below are the required insurance coverage requirements for private mortgage insurance.

<u>Initial LTV</u>	<u>Coverage Required</u>
97.01% - 100%	35%
95.1 – 97%	28%
90.1 – 95%	25%

80.1 – 90%
80% - below

20%
0%

3. Financed Mortgage Insurance: The loan amount cannot include any portion of a financed mortgage insurance premium.

**ALLOWABLE
FEES:**

The lender can collect an Origination Fee of up to 1% of the loan amount. The lender may also be reimbursed for expenses incurred in processing, such as credit reports, appraisals, surveys, etc., not to exceed the actual cost of these expenses.

**FEDERAL
RECAPTURE
TAX:**

If property is sold within nine (9) years from the date of loan closing, the borrower may owe a recapture tax. This tax is based on the household income and family size during the year of resale, and on the length of time the borrower occupied the property.

EVALUATION:

MSHDA Staff will mail an evaluation to all borrowers who receive a mortgage under the College Grad Program. The evaluation will solicit responses from the borrowers as to whether they would have stayed in Michigan even had this Program not been available.

LOAN DOCUMENTATION REQUIREMENTS:

**APPLICATION
DOCUMENTS:**

a) Refer to “*Loan Submission Checklist*”, SFH 134, for MSHDA required documents. (This form is located in the Miscellaneous Documents Section of the Lender on Line Web site.) The MSHDA required application documents are:

1. Mortgage Loan Data Summary Sheet, SFH 117
2. Mortgage Insurance Certificate
3. Loan Application (FNMA 1003)
4. Counseling Certificate, as applicable
5. Evidence of Social Security Number
6. Copy of Driver's License
7. Credit Report
8. Verification of Income
9. Verification of Assets
10. Purchase Agreement/Contract to Build
11. Appraisal
12. Initial Application Affidavit, SFH 106
13. Signed Federal Tax Returns for last 3 years, as applicable
14. Required Builder Information, as applicable
15. FNMA 1008, Transmittal Summary signed by Lender's Underwriter

AND

b) A copy of the borrower's college transcript must accompany the Loan Submission package. The transcript must document the receipt of a Doctoral, Master's, Bachelor's or Associate's degree from an accredited institution within 3 years of the loan application date.

**CLOSING
DOCUMENTS:**

The most current version of all mortgage document forms must be used.

- a) Conventional Mortgage, Note & Assignment:
 - i. Fannie-Freddie Michigan Mortgage 3023
 - ii. Fannie-Freddie Multistate Fixed Rate Note 3200
 - iii. Assignment of Mortgage, SFH 102
 - iv. Universal Tax Exempt Financing Rider SFH 122U

NOTE: Refer to "Conventional Mortgage Document Control Sheet", SFH 135, for **other** required documents. This form is located in the Conventional Loan Section of the Lender on Line Web site under Closing Documents.

- b) 2nd Mortgage & Mortgage Note:
 - i. Mortgage, SFH 100-C
 - ii. Mortgage Note, SFH 101-D

NOTE: Refer to "Conventional Down Payment Assistance Mortgage Document Control Sheet", SFH 136, for **other** required documents. (This form is located at the Lender on Line Web site under the link for Down Payment Assistance.)

**TITLE INSURANCE/
PRIVATE MORTGAGE
INSURANCE:**

The name of the insured on all title insurance policies or private mortgage insurance certificates may read:

"[Lender's name], their successors and/or assigns."

**SHORT FORM
TITLE INSURANCE
POLICY:**

A short form title policy issued at closing is acceptable.